COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0714-02
Bill No.: HB 700
Subject: Medicaid; Social Services Department
Type: Original
Date: March 22, 2013

Bill Summary: This proposal changes the requirements for the delivery of health care benefits under the MO HealthNet program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	($8,171,239)	($4,284,422)	($2,171,523)
Total Estimated Net Effect on General Revenue Fund	**($8,171,239)**	**($4,284,422)**	**($2,171,523)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	$1,305,374	$3,196,572	$3,345,651
Total Estimated Net Effect on Other State Funds	**$1,305,374**	**$3,196,572**	**$3,345,651**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*** Income, savings, expenditures, and losses exceed $60 million annually and net to $0.**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Oversight notes the Department of Social Services (DSS) has not provided estimates of costs or savings for several provisions of this proposal because of guidance from the Centers for Medicare and Medicaid Services (CMS). In that guidance, CMS has stated that if a state's expansion of Medicaid does not include specified populations with incomes up to 138% of the Federal Poverty Level (FPL), the state will not receive enhanced Medicaid reimbursement rates. As a result of this guidance, DSS assumes Missouri will not be granted waivers that would provide for the receipt of enhanced Medicaid rates because the expansion in this proposal does not go to the levels specified by the Affordable Care Act. Therefore, DSS assumes the programs currently in place would continue without change.

§ 208.151(26) - Former Foster Children:

Officials from the **Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)** state coverage for these children will be funded using the Federal Medical Assistance Percentage (FMAP) rate of 61.865% effective August 28, 2013.

It is estimated this program will impact approximately 1,880 foster care youth annually; annual costs are estimated to be (for all funds) $4,923,721 for FY 14; $6,696,259 for FY 15; and $6,964,110 for FY 16.

§ 208.151.2(1) - Discontinuance of Eligibility for Recipients of Blind Pension:

Officials from the **DSS - DFAS** state this provision would have resulted in a savings to General Revenue (GR) beginning July 1, 2014 (FY 15); however, per Centers for Medicare and Medicaid Services (CMS) guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% of the Federal Poverty Level (FPL). Therefore, DSS assumes coverage will not be expanded and recipients would continue to be eligible for Blind Pension.

§ 208.151.2(1) - Discontinuance of Breast and Cervical Cancer Program:

Officials from the **DSS - DFAS** state there would have been a cost savings beginning July 1, 2014 (FY 15). Savings are allocated among GR, Federal, and Other Funds; however, per CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% FPL. Therefore, DSS assumes coverage will not be expanded and recipients would continue to be eligible for the Breast and Cervical Cancer Program.

ASSUMPTION (continued)

§§ 208.151.2(2) to 208.151.2(4) - Eligibility Changes for Pregnant Women and Infants:

Officials from the **DSS - DFAS** state reducing the eligibility standard for pregnant women from 185% of the FPL to 133% FPL would have resulted in a cost savings to GR, Federal, and Other Funds beginning July 1, 2014 (FY 15). However, per CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% FPL. Therefore, DSS assumes coverage will not be expanded and recipients will continue to be eligible for pregnant women. Reducing the eligibility standard for infants from 185% FPL to 133% FPL does not begin until October 1, 2019. Therefore, the fiscal impact of this provision is not shown in this fiscal note.

§ 208.631 - Supplemental Children's Health Insurance Program (SCHIP):

Officials from the **DSS - DFAS** state beginning October 1, 2019, Sections 208.631 to 208.658 (the SCHIP program), are no longer in effect. There would be some savings beginning in FY 20, which is outside this fiscal note period and will not be presented; however, some children in this group (those between 100% and 133% of poverty) will switch to Title XIX coverage, as required by the Affordable Care Act (ACA), with a corresponding cost.

§ 208.659 - Uninsured Women's Health Program:

Officials from the **DSS - DFAS** state there would have been a savings beginning July 1, 2014 (FY 15); however, per CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% FPL. Therefore, DSS assumes coverage will not be expanded and recipients will continue to be eligible for the Uninsured Women's Health Program.

§§ 208.990 and 208.995 - The Show-Me Transformation Act:

Officials from the **DSS - DFAS** state implementation of coverage for the expansion groups outlined in Section 208.995.3 is contingent on the federal government providing reimbursement at the enhanced matching rate. Based on CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage at any level below 138% FPL. Therefore, DSS assumes coverage will not be expanded, and there will be no fiscal impact.

Using the Modified Adjusted Gross Income (MAGI) standard to determine income eligibility may cause some people who were previously eligible to be ineligible and vice versa. For

ASSUMPTION (continued)

example, in the future, child support income will not count, but step-parent income will. DSS believes these changes will balance each other and not result in significant savings or new costs.

§ 208.997 - Health Care Homes Program:

Officials from the **DSS - DFAS** state Health Care Homes will serve MO HealthNet (MHN) recipients with complex and chronic medical conditions who are not enrolled in a managed care plan. These recipients are most likely to be elderly and/or disabled. DSS believes there may be some cost associated with this program, but detailed estimates have not yet been developed.

§ 208.998 - Managed Care Plans:

Officials from the **DSS - DFAS** provide that statewide utilization of managed care for healthy adults and children is expected to result in savings beginning mid-year FY 14. Total savings for all groups (and all funds) are estimated to be $11,932,804 for FY 14; $24,402,580 for FY 15; and $25,500,697 for FY 16.

§ 208.146 (repealed) - Elimination of the Ticket-to-Work Program:

Officials from the **DSS - DFAS** state elimination of the Ticket-to-Work Program will result in a cost savings to GR, Federal, and Other Funds. There will be savings in FY 14, between August 28, 2013, when the program is due to sunset, through December 31, 2013. These savings are estimated to be, in total for all funds, $6,764,052 for the period August 28, 2013 though December 31, 2013 and $14,773,030 for the period January 1, 2014 though June 30, 2014; total savings for FY 15 are estimated to be $30,210,844; and, total savings for FY 16 are estimated to be $31,570,333.

Oversight notes the elimination of the Ticket-to-Work Program in this proposal coincides with the August 28, 2013 expiration (sunset provision) of this program. As a result, Oversight will not show savings in the fiscal note for elimination of this program.

Moving Non Elderly/Non Disabled Adults from Managed Care Package to Benchmark Package at Commercial Rates:

Officials from the **DSS - DFAS** state this provision will result in a cost to GR and Federal funds beginning mid-year in FY 14. It is estimated FY 14 costs will total $2,257,199; FY 15 costs are estimated to be $4,187,166; and FY 16 costs are estimated to be $3,319,399.

ASSUMPTION (continued)

Paying Children's Full Medicaid Benefit Package at Commercial Rates:

Officials from the **DSS - DFAS** state this provision will result in a cost to GR and Federal funds beginning mid-year in FY 14. It is estimated FY 14 costs for this provision of the proposal will be approximately $31,138,792; FY 15 costs are estimated at $62,011,722; and FY 16 costs are estimated at $61,701,899.

Cost Sharing Opportunities:

Officials from the **DSS - DFAS** state DSS is working with the actuary to estimate the fiscal impact of implementation of cost sharing opportunities, including incentive programs for individuals with chronic conditions, high deductible plans, subsidized premiums for private insurance, and co-payments.

§§ 376.961 to 376.973 - The Missouri Health Insurance Pool (MHIP):

Officials from the **DSS - DFAS** state there will be additional revenue to the state as a result of eliminating the Missouri Health Insurance Pool and the accompanying tax credits. These savings are not included in DSS calculations and will be addressed by the Department of Insurance, Financial Institutions, and Professional Registration.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state this legislation would phase out the Missouri Health Insurance Pool (MHIP). MHIP is a non-profit organization, created by state statute, which provides medical and drug coverage to Missourians who cannot get insurance in the standard market because of health conditions, exhaustion of COBRA benefits, or other lack of availability. MHIP assesses all health insurers in the state the difference between premiums collected and actual pool costs. Insurers are then allowed a tax credit for this assessment. The credit is taken against General Revenue. Since this legislation would phase out MHIP, the assessments would phase out as well. The fiscal impact is dependent upon when the final assessment would be; however, DIFP estimates a fiscal impact savings of up to $3,000,000 in FY 14; $17,013,832 in FY 15 and $18,513,832 in FY 16.

ASSUMPTION (continued)

Oversight notes that according to the Tax Credit Analysis submitted by the Department of Insurance, Financial Institutions and Professional Registration regarding this program, the Missouri Health Insurance Pool Assessment Credit tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$10,462,791	$14,149,947	$16,900,724
Amount Redeemed	$8,695,193	$12,340,486	$14,934,860

Oversight will utilize DIFP's estimate of impact.

Bill As A Whole:

Officials from the **Department of Health and Senior Services (DHSS)** provide the following assumptions:

Services for New Participants:

The Division of Senior and Disability Services (DSDS) does not have the information to calculate the number of new participants who will access Home and Community Based Services (HCBS) as a result of this proposal. For each new participant, the average annual cost for FY 2014 is estimated at $11,381. The current appropriations for Medicaid Home and Community Based (HCB) Services are included in the DHSS/DSDS budget.

Assessment and Reassessment Costs:

Each new participant in Home and Community Based (HCB) Services would receive a prescreen, an initial assessment, and an annual reassessment in subsequent years. Each prescreen takes an average of one hour to complete. Each assessment takes an average of two hours to complete. DHSS will require additional staff to complete assessments and reassessments on the newly eligible individuals. DHSS estimates that 1 FTE is required to complete 2,080 prescreens and 1 FTE is required to complete 1,040 assessments/reassessments per year.

The fiscal impact of this proposal is unknown.

Oversight assumes the number of new prescreening and assessments for HCB services the DHSS would be required to perform would be absorbable within their current appropriation level. However, if the number of new recipients of HCB services were to increase significantly, the DHSS could request additional funding through the appropriations process.

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** state DMH consumers in the Ticket-to-Work Health Assurance (TWHA) program, breast or cervical cancer, pregnant women, and children's categories who would lose eligibility would continue to qualify for DMH services as non-Medicaid consumers. This would reduce the funds available to serve other consumers.

The additional coverage for the new eligibility group is contingent on receipt of a federal waiver that would provide funding at the same rate that is available for expanding Medicaid to 133 percent of the federal poverty level (FPL) under section 2001 of Public Law 111-148. As the Centers for Medicare and Medicaid Services (CMS) have stated, the enhanced match will not be available for expanding to less than 133 percent of the FPL; therefore, this provision of the legislation is expected to have no fiscal impact.

The language regarding the expansion of the "Health Care Home's Program" relates to primary care clinics; therefore, it appears to have no impact to DMH's Community Mental Health Centers.

DMH costs and/or cost savings for these changes will be included in the Department of Social Services costs and/or cost savings to the MO HealthNet program.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Administration (OA) - Division of Purchasing and Material Management**, the **OA - Division of Budget and Planning** and **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
Income - DIFP - elimination of MHIP tax credits	Up to $3,000,000	Up to $17,013,832	Up to $18,513,832
Savings - DSS			
Statewide managed care for healthy adults and children (§ 208.998)	$2,458,466	$5,027,562	$5,253,802
Cost - DSS			
Former foster care youth (§ 208.151(26))	($1,108,195)	($1,507,145)	($1,567,431)
Moving non-elderly/non-disabled adult from managed care package to benchmark package	($860,783)	($1,596,776)	($1,265,853)
Children's full Medicaid benefit package at commercial rates	($11,660,727)	($23,221,895)	($23,105,873)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**($8,171,239)**	**($4,284,422)**	**($2,171,523)**
OTHER STATE FUNDS			
Savings - DSS			
Statewide managed care for healthy adults and children (§ 208.998)	$2,074,840	$4,243,045	$4,433,983
Costs - DSS			
Former foster care youth (§ 208.151(26))	($769,466)	($1,046,473)	($1,088,332)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**$1,305,374**	**$3,196,572**	**$3,345,651**

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS			
Income - DSS			
Reimbursement for program expenditures for former foster care youth (§ 208.151(26))	$3,046,060	$4,142,641	$4,308,347
Reimbursement for program expenditures resulting from moving non-elderly/non-disabled adult from managed care package to benchmark package	$1,396,416	$2,590,390	$2,053,546
Reimbursement for children's full Medicaid benefit package at commercial rates	$19,478,065	$38,789,827	$38,596,026
Savings - DSS			
Reduction in health care costs for statewide managed care program	$7,399,498	$15,131,973	$15,812,912
Costs - DSS			
Program expenditures for former foster care youth (§ 208.151(26))	($3,046,060)	($4,142,641)	($4,308,347)
Program expenditures for moving non-elderly/non-disabled adult from managed care package to benchmark package	($1,396,416)	($2,590,390)	($2,053,546)
Program expenditures for children's full Medicaid benefit package at commercial rates	($19,478,065)	($38,789,827)	($38,596,026)
Loss - DSS			
Reduction in program expenditures from statewide managed care program	($7,399,498)	($15,131,973)	($15,812,912)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small business health care providers may see an increase in reimbursement rates and in the number of clients they serve.

FISCAL DESCRIPTION

This proposal changes the requirements for the delivery of health care benefits under the MO HealthNet Program under the “Show-Me Transformation Act”. This transformation would begin January 1, 2014, with sections contingent upon the amendment of IRS health insurance premium tax credits, approval by the U.S. Department of Health and Human Services, and the granting and implementation of required waivers needed to make the proposed changes. Changes subject to approval and/or waivers include: 1) Elimination of the Ticket-to-Work Program which is set to expire August 28, 2013 (the effective date of the legislation); 2) Elimination of state-only funded medical coverage for Blind Pension recipients, effective July 1, 2014; 3) Elimination of coverage based on the need for treatment of breast or cervical cancer, effective July 1, 2014; 4) Reduction of the income limit for pregnant women from 185% to 133% of the federal poverty level (FPL), effective July 1, 2014; 5) Elimination of coverage under the Children’s Health Insurance Program and lowering the Medicaid income limit for children under the age of 1 from 185% to 133% of FPL, effective October 1, 2019; 6) Elimination of the uninsured women’s health program, effective July 1, 2014; 7) Extension of Medicaid coverage for children in foster care when they turn 18 until they turn 26; and 8) Requiring the MO HealthNet Division to develop and implement the “Health Care Homes Program” as a provider-directed care coordination program for recipients who are not enrolled in a prepaid MO HealthNet benefits option and who are receiving services on a fee-for-service basis.

The proposal implements federal regulations that require eligibility determinations for parents, children, and pregnant women be based on Modified Adjusted Gross Income standards equivalent to current income levels.

The provisions also propose adding coverage for individuals age 19 through 64 with incomes not exceeding 100% of the FPL who are not eligible for Medicare. Individuals eligible in this new coverage group will receive an alternative benefit package that meets the requirements of federal law rather than the full MO HealthNet benefit package, unless the individual meets the definition of medically frail. Medically frail individuals will receive the full MO HealthNet benefit package.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

HWC:LR:OD

SOURCES OF INFORMATION

Office of Administration -
    Division of Budget and Planning
    Division of Purchasing and Material Management
Department of Insurance, Financial Institutions, and Professional Registration
Department of Mental Health
Department of Health and Senior Services
Department of Revenue
Department of Social Services -
    Division of Finance and Administrative Services
Joint Committee on Administrative Rules
Office of Secretary of State

Ross Strope
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